



# Department of Veterans Affairs

## **Financial Policy**

### **Volume II**

#### **Appropriations, Funds, and Related Information**

### **Chapter 2i**

#### **Major Construction Working Reserves**

**Approved:**

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|   |           |
|---|-----------|
| <b>0201 Overview .....</b>  | <b>2</b>  |
| <b>0202 Revisions .....</b>   | <b>2</b>  |
| <b>0203 Definitions.....</b>  | <b>6</b>  |
| <b>0204 Roles and Responsibilities.....</b>                                 | <b>7</b>  |
| <b>0205 Policies.....</b>   | <b>8</b>  |
| <b>020501 Bid Savings .....</b>   | <b>8</b>  |
| <b>020502 Bid Savings Moved to Project Reserve.....</b>                     | <b>8</b>  |
| <b>020503 Reprogramming of Bid Savings .....</b>                            | <b>8</b>  |
| <b>020504 Reprogramming of Major Construction Projects or Programs.....</b> | <b>9</b>  |
| <b>0206 Authorities and References.....</b>                                 | <b>11</b> |
| <b>0207 Rescissions .....</b>   | <b>11</b> |
| <b>0208 Questions.....</b>  | <b>12</b> |
| <b>APPENDIX A: Fund Availability.....</b>                                   | <b>13</b> |

## **0201 Overview**

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to the accounting and reporting of funds related to Major Construction Working Reserves.

Major construction projects are defined in Title 38, U.S.C. § 8104(a) (3) (A) and P.L.115-182, VA Mission Act of 2018, Title V, § 503 as construction projects that have a total value in excess of \$20 million. Examples of such projects include medical and benefits facility construction and renovations; national cemetery and gravesite expansion; land acquisitions for additional national cemeteries and medical facilities; and support for other construction-related activities. The funds for specific major construction projects or programs are appropriated annually by Congress.

Because major construction projects can span several years, VA is authorized to carry forward fund balances from year-to-year in its construction accounts. Excess project or program funds are transferred to the Major Construction Working Reserve.

VA has the authority to reprogram amounts transferred to Working Reserve. Reprogramming in excess of \$7M cumulatively by project or \$7M per instance per program per fiscal year requires Congressional approval.

## **0202 Revisions**

| <b>Section</b>                   | <b>Revision</b>  | <b>Office</b> | <b>Reason for Change</b>     | <b>Effective Date</b> |
|----------------------------------|--|---------------|------------------------------|-----------------------|
| 0201 Overview & 0203 Definitions | Update the threshold amount in the definition of major construction projects from \$10M to \$20M.  | OFP (047G)    | P.L.115-182 Title V, § 503   | April 2019            |
| Overall                          | The Secretary of Veterans Affairs may not reprogram funds among major construction projects or programs if such instance of reprogramming will exceed \$7,000,000, unless such reprogramming is approved by the Committees on Appropriations of both Houses of Congress. | OFP (047G)    | P.L. 115-141 Div. J, § 231   | June 2018             |
| Overall                          | Removed the restriction of 5% of the Total Estimated Cost (TEC) as related to approval by Congress. Added the  | OFP (047G)    | 38 USC 8104 § 234 superseded | March 2018            |

| <b>Section</b> | <b>Revision</b>  | <b>Office</b> | <b>Reason for Change</b>   | <b>Effective Date</b> |
|----------------|--|---------------|--|-----------------------|
|                | definition of programmed funds and used it for the bid savings discussion.   |               | previous legislation   |                       |
| Various        | Reformatted to the latest policy format and reorganized policy section.  | OFP (047G)    | For additional clarity   | March 2018            |
| Various        | Reformatted to new policy format and completed 5 year review.  | OFP (047G)    | Reorganized chapter layout   | July 2017             |
| Overall        | <p>Changed the title to “Major Construction Working Reserves Line Items”.</p> <p>Used the phrase “line item” instead of “accounts” to identify funds tracked to a project.</p> <p>Changed the term “total project cost” to “total estimated cost (TEC)”.</p>   | APS (047GA)   | New regulation, Consolidated Appropriations Act (P.L.114-223; 114-113; P.L. 113-235; P.L. 113-76; and P.L. 113-6 | July 2017             |
| 0201 Overview  | <p>Replaced the word “account” with “fund”, or “line item” and replaced the word “transferred” with “redirected” because of the legal connotation.</p> <p>Added a sentence to reflect new 5-year appropriation funding for construction.</p> <p>Updated the sentence, “VA has the authority to reprogram funds up to 10 percent of total appropriated funds for its major construction projects.”, to “VA has the authority to reprogram funds cumulatively, up to 5 percent (%) of the total estimated cost (TEC) or \$5M, whichever is less, for its major construction projects without notifying Congress.</p> | APS (047GA)   | Consolidated Appropriations Act (P.L.114-223; 114-113; 113-235; 113-76; and 113-6                                | July 2017             |

| Section                         | Revision   | Office         | Reason for Change   | Effective Date |
|---------------------------------|--|----------------|---|----------------|
|                                 | Reprogramming cumulatively greater than \$5M or 5% of TEC requires notification of Congress".  |                |   |                |
| 0203 Definitions                | Added definition for Bid Savings, Reprogramming, and Release of Claims.<br><br>Revised the definition for Major Construction Projects to be consistent with Vol. V Ch. 9, General PPE.   | APS<br>(047GA) | Consolidated Appropriations Act (P.L. 114-223; 114-113; 113-235; 113-76; and 113-6                                  | July 2017      |
| 0204 Roles and Responsibilities | Updated the role of VA CFO to standard language.<br><br>Updated the responsibilities of CFM to by adding "The Executive Director is responsible for overseeing the compilation of reprogramming packages".   | APS<br>(047GA) | 5 year review   | July 2017      |
| 0205 Policies                   | Reorganized policy section chronologically beginning with bid savings policy.<br><br>Removed outdated policy about moving funds prior to the completion of construction.<br>Clarified reprogramming 5-year funds prior to no-year funds from the Reserve.<br><br>Added policy related to upward adjustments for within scope changes.<br><br>Added requirement for Congressional authorization for expanded scope requests.<br><br>Updated titles and levels of approval by Major Construction Working | APS<br>(047GA) | New Regulations: P.L. 114-315 & Consolidated Appropriations Act (P.L. 114-223; 114-113; 113-235; 113-76; and 113-6) | July 2017      |

| Section | Revision   | Office | Reason for Change | Effective Date |
|---------|--|--------|-------------------|----------------|
|         | <p>Reserve Board, Executive Director CFM, VA CFO, and the Secretary.</p> <p>Added VA Working Reserve Board membership.</p> <p>Revised paragraph 020502 as: "VA will move the bid savings to the project reserve at the time of contract award. VA will maintain the project reserve on any major construction project until such time as it appears unlikely that additional funding will be necessary to complete the project. Once this occurs, the project reserve funds will be deposited into the applicable Major Construction Working Reserve Line Item. Prior to the movement of funds, CFM will provide email notification to the Office of Asset Enterprise Management (OAEM)."</p> <p>Revised paragraph 02050405 by adding word "Cumulatively": All Major Construction Working Reserve fund reprogramming requests cumulatively over \$5,000,000 will be sent to the VA Secretary for approval upon concurrence of the Executive Director, CFM, Executive Director, OALC, and the Working Reserve Board.</p> <p>Deleted paragraph 020503, After agreeing with the</p> |        |                   |                |

| Section                            | Revision   | Office         | Reason for Change  | Effective Date |
|------------------------------------|--|----------------|--|----------------|
|                                    | contractor to the release of claims for a completed major project, any additional excess funds remaining on the project will be moved to the applicable Major Construction Working Reserve Line Item.<br><br>Deleted paragraph 020508, VA must account for the use of the Major Construction Working Reserve funds in the same fashion as is accomplished with all other obligations and expenditures of appropriated funds. |                |  |                |
| 0206<br>Authorities and References | Added the references for Consolidated Appropriations Act (P.L. 114-223; 114-113; 113-235; 113-76; 113-76); and P.L.114-315.  | APS<br>(047GA) | 5 year review & Consolidated Appropriations Act (since 2013) | July 2017      |
| 0207<br>Rescissions                | Added VA Directive 7511, Management of Major Construction Reserve Accounts and Working Reserve Board, November 2009.   | APS<br>(047GA) | 5 year review & Consolidated Appropriations Act (since 2013) | July 2017      |
| 0208 Questions                     | Updated title for CFM questions to Associate Executive Director, Office of Resource Management, CFM  | APS<br>(047GA) | 5-year update  | July 2017      |
| Appendix A                         | Added Appendix A, Fund Availability  | APS<br>(047GA) | 38 USC 8104  | July 2017      |

### 0203 Definitions

**Bid Savings** - Bid Savings are funds in excess of the estimated needs of a major construction project as calculated at the time of the last award on a major construction project.

**Major Construction Projects** - Construction, alteration, extension or improvement of any VA facility, including planning, architectural and engineering services, construction

management services, maintenance or guarantee period services costs associated with equipment guarantees provided under the project, services of claims analysts, offsite utility and storm drainage system construction costs and site acquisition, where the estimated cost of the project is greater than \$20,000,000 or where funds for a project were made available in a previous appropriation.

**Major Construction Working Reserve** - Established by VA to capture available major construction funds, allowing for the redirection of those funds to other construction projects, upon approval.

**Project Reserve** - Funds remaining after the last construction contract award that are held for the project until a decision is made that the remaining funds are no longer required for the project.

**Reprogramming** - Shifting funds within an appropriation or fund to use them for purposes other than those contemplated at the time of appropriation.

**Programmed Amount:**

- 1) Total amount of funding for a VHA major project that has been authorized by law and has been approved by Congress in the budget process in conjunction with an appropriations act plus the amount of funding that has been reprogrammed to the project by a reprogramming action that complies with Congressional notification and/or approval requirements.
- 2) Total amount of funding for any NCA, VBA or Staff Office major project that has been approved by Congress in the budget process in conjunction with an appropriations act plus the amount of funding that has been reprogrammed to the project by a reprogramming action that complies with Congressional notification and/or approval requirements.

## **0204 Roles and Responsibilities**

**VA Secretary** is responsible for approving and requesting Congressional approval of all reprogramming in excess of \$7 million.

**The Assistant Secretary for Management/Chief Financial Officer (VA CFO)** will approve the reprogramming of Major Construction Working Reserve funds with a cumulative value over \$500,000 but less than or equal to \$7M.

**Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants, and other key officials** are responsible for ensuring compliance with the policies and procedures in this chapter.

**The Office of Construction and Facilities Management (CFM)** Oversees major construction activities and funding for construction projects and programs, including Major Construction Working Reserve which can be used to finance, the construction,



alteration, extension, and improvement of VA facilities or any of the purposes in various sections of Title 38 of the United States Code.

## **0205 Policies**

### **020501 Bid Savings**

After all costs associated with a project have been taken into account (e.g., design and construction, construction period services, construction management services, testing labs, contingencies, impact funds) and the award for the last phase is made on a major construction project, bid savings will be calculated. Bid Savings will be held and tracked as a project reserve line item on a project. The VA Secretary will notify Congress within 14 days when a major project realizes bid savings in excess of \$5M or 5% of the programmed amount of the project.

### **020502 Bid Savings Moved to Project Reserve**

- A. VA will maintain the project reserve line item on a major construction project until such time as it appears that additional funding will not be necessary to complete the project. After this determination has been made, project reserve funds will be transferred to the Major Construction Working Reserve. CFM will notify the Office of Asset Enterprise Management (OAEM) of the intent to transfer funds via email before the transfer occurs.
- B. The Executive Director, CFM, is responsible for tracking and managing major construction project and program account balances to ensure that any excess funds are transferred to the Working Reserve.
- C. Annually, as part of the financial reporting year-end accounting certification, the Executive Director, CFM, will certify that all unobligated and unliquidated funds on substantially completed projects or projects accepted for use are not excess and are necessary for project completion.

### **020503 Reprogramming of Bid Savings**

- A. Reprogramming of bid savings less than or equal to \$5M from a **major construction project** may be done without Congressional approval.
  - The Executive Director, CFM, will approve the reprograming of bid savings with a cumulative value less than or equal to \$500,000.
  - The Assistant Secretary for Management/CFO will approve the reprogramming of bid savings with a cumulative value over \$500,000 but less than or equal to \$5M.

- B. Reprogramming of bid savings in excess of \$5M or 5% of the programmed amount for the project requires notification and approval of the VA Secretary and both authorizing and appropriating Committees of Congress at least 14 days before obligation of the reprogrammed bid savings. The notification sent to Congress should include at a minimum:
- The major construction project that is the source of the bid savings;
  - If the major construction project that is the source of the bid savings is not complete:
    1. The amount already obligated by the Department or available in the project reserve for such project;
    2. The percentage of such project that has been completed; and
    3. The amount available to the Department to complete such project.
  - The major construction project for which the bid savings amounts are being obligated and the amounts being obligated.

#### **020504 Reprogramming of Major Construction Projects or Programs**

- A. The Executive Director, CFM is responsible for overseeing the preparation of reprogramming packages for submission to the Major Construction Working Reserve Board (WRB).
- B. The WRB members will review and recommend reprogramming requests to add funds to a project or program and provide their concurrence with the request. Recommendations of the Board will be forwarded to the Executive Director, CFM for approval.

##### **WRB Membership:**

- Associate Executive Director, CFM Office of Resource Management (Chairperson);
  - Representative from the Office of the Deputy Under Secretary for Health for Operations and Management;
  - Representative from the Office of Asset Enterprise Management;
  - Representative from the National Cemetery Administration (NCA);
  - Representative from the Veterans Benefits Administration (VBA);
  - Representative from the Office of CFM (respective Director of the Regional Office from which the project is being overseen); and
  - The CFO (or representative) of each Administration.
- C. VA can reprogram funds from the Major Construction Working Reserve to defray the costs of completing major construction projects.

- D. VA will only reprogram funds from the Major Construction Working Reserve to defray construction costs that were within the Congressionally approved scope of the project or program.
- E. VA will reprogram 5-year funds to the maximum extent practicable, prior to using no-year funds. (See [Appendix A. Fund Availability](#)).
- F. Reprogramming less than or equal to \$7M cumulatively for a **major construction project** may be done without Congressional approval.
- The Executive Director, CFM, will approve the reprogramming of Major Construction Working Reserve with a cumulative value less than or equal to \$500,000.
  - The Assistant Secretary for Management/CFO will approve the reprogramming of Major Construction Working Reserve with a cumulative value over \$500,000 but less than or equal to \$7M.
- G. Reprogramming less than or equal to \$7M for each instance for a **major construction program** may be done without Congressional approval.
- The Executive Director, CFM, will approve the reprogramming of Major Construction Working Reserve with a value less than or equal to \$500,000.
  - The Assistant Secretary for Management/CFO will approve the reprogramming of Major Construction Working Reserve with a value over \$500,000 but less than or equal to \$7M.
- H. Reprogramming in excess of \$7M cumulatively of the original **project or program** requires notification and approval of the VA Secretary and both authorizing and appropriating Committees of Congress. The notification sent to Congress should include at a minimum:
- The major construction project or program for which the amounts are being obligated; and
  - The amount being reprogrammed.
- I. Reprogramming for a change in scope of the original project or program requires notification and approval of the VA Secretary and both authorizing and appropriating Committees of Congress regardless of dollar amount. The notification sent to Congress should include at a minimum:
- The major construction project for which the Secretary intends to expand the purpose;
  - A description of the expansion;
  - The reason for expansion;
  - The amount the Secretary intends to obligate to expand the purpose; and
  - The major project that would be the source of the bid savings, if applicable.
- J. CFM will provide a quarterly report of activities for the Major Construction Working Reserves.

- K. The Executive Director, CFM and the Assistant Secretary for Management/CFO will ensure that all available funds from major construction projects are properly reprogrammed and accounted for within the Major Construction Working Reserve.

## **0206 Authorities and References**

[Chief Financial Officers \(CFO\) Act of 1990](#)

[31 U.S.C. Subtitle II, Chapter 15, Appropriation Accounting](#)

[38 U.S.C. 8104, Congressional approval of certain medical facility acquisitions](#)

[Office of Management and Budget \(OMB\) Circular A-11, Preparation, Submission and Execution of the Budget](#)

[OMB Circular A-136, Financial Reporting Requirements - Revised](#)

[United States Standard General Ledger, Treasury Financial Manual S2 13-02, Part 2 Fiscal 2016 Reporting](#)

[P.L. 114-223 Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act](#)

[P.L. 114-113. Consolidated Appropriations Act, 2016](#)

[P.L. 113-235 CONSOLIDATED AND FURTHER CONTINUING APPROPRIATIONS ACT, 2015](#)

[P.L. 113-76 Consolidated Appropriations Act, 2014](#)

[P.L. 113-6 CONSOLIDATED AND FURTHER CONTINUING APPROPRIATIONS ACT, 2013](#)

[P.L.114-315, H.R.6416 Jeff Miller and Richard Blumenthal Veterans Health Care and Benefits Improvement Act of 2016.](#)

[P.L.115-182, VA Mission Act of 2018](#)

## **0207 Rescissions**

OFP Volume II, Chapter 2i, Major Construction Working Reserve Accounts, June 2018.

**0208 Questions**

Questions concerning these financial policies and procedures should be directed as shown below:

|            |  |
|------------|--|
| CFM        | Executive Associate Director, Office of Resource<br>Management Office, CFM |
| All Others | OFP Accounting Policy (Outlook)  |

## APPENDIX A: Fund Availability

This appendix provides guidance for the source of funds from the Major Construction Working Reserves to support completion of a major project needing additional funds. In accordance with 38 USC 8104, Congressional approval of certain major construction projects, paragraph (d) 2, bid savings funds are available to fund projects authorized in current or prior fiscal years. The below chart and examples provide availability for allocating funds from the Major Working Reserve line items. VA will reprogram 5-year funds to the maximum extent practicable, prior to using no-year funds.

### Sample Availability Chart

|         | FISCAL<br>YEAR | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 |
|---------|----------------|----|----|----|----|----|----|----|----|----|----|----|----|
| FUNDS   |                |    |    |    |    |    |    |    |    |    |    |    |    |
| No Year |                | A  | A  | A  | A  | A  | A  | A  | A  | A  | A  | A  | A  |
| 13-17   |                | A  | A  | E  | E  | E  | E  | E  | C  | C  | C  | C  | C  |
| 14-18   |                | A  | A  | A  | E  | E  | E  | E  | E  | C  | C  | C  | C  |
| 15-19   |                | A  | A  | A  | A  | E  | E  | E  | E  | E  | C  | C  | C  |
| 16-20   |                | A  | A  | A  | A  | A  | E  | E  | E  | E  | E  | C  | C  |
| 17-21   |                |    | A  | A  | A  | A  | A  | E  | E  | E  | E  | E  | C  |

A - Available - for new obligations and for upward adjustments of projects obligated during the 5 years or prior fiscal years.

E - Expired - available for upward adjustment for within scope changes to an existing obligation made in prior fiscal years.

C- Canceled - not available for any adjustments.

### Examples of Availability

1. Funds returned in FY 16 to the Working Reserve from a project obligated in FY 13 with 5-year funds. FY 13-17 will be available for new obligation in FY 16 or FY 17, and available for upward adjustments for any projects initiated prior to FY 17.
2. A project obligated in FY 16 with FY 16-20 funds could receive additional funds from: No-year, FY 13-17; FY 14-18; FY 15-19; FY 16-20, and up until each fund cancels.